

NCUA News

June 1997, Number 5

First Quarter Growth is Steady

Call Reports show that large federally insured credit unions posted growth in numbers, investments, assets, savings, loans, and equity in the first quarter of 1997.

In the past year, 60 federally insured credit unions have been added to the list of institutions with at least \$50 million in assets. These 1,284 credit unions represent approximately 10 percent of all credit unions and hold about 75 percent of the industry's assets. Federally insured credit unions over \$50 million in assets submit *Call Reports* quarterly, while all federally insured credit unions submit *Call Reports* semiannually.

Comparing 1996 and 1997 First Quarter Figures

The following compares first quarter changes in balance sheet data and key ratios reported in 1996 and 1997 by the larger credit unions.

- Assets rose 3.8 percent in 1996 and 1997.
- Loans gained 0.6 percent in 1996 and 0.8 percent in 1997.
- Savings rose 4 percent in 1996 and 1997.
- Investments increased 9 percent in 1996 and 10.1 percent in 1997.
- Equity gained 2.1 percent in 1996 and 1997.
- Loan to share ratio increased from 68.1 percent in 1996 to 71.9 percent in 1997.
- Net capital ratio rose from 9.8 percent in 1996 to 10.2 percent in 1997.

Looking at Yearend 1996 to March 1997 Results

The trend of posting gains in investments during the first quarter of the year

continued as investments increased 10.1 percent during the first quarter of 1997. A large percentage of gain was seen in the corporate credit union system, where large credit unions' investments expanded 28 percent.

As investments surged, loans gained 0.8 percent continuing the pattern of slow first quarter growth. Used auto loans sustained recent trends by leading lending expansion, increasing 3.7 percent from yearend figures of \$24.5 to \$25.4 billion. First mortgage real estate loans increased 2.3 percent, from \$38.6 to \$39.4 billion at yearend. Unsecured loans (which include credit cards) and new auto loans declined slightly, to 2.5 percent and 0.8 percent respectively.

Savings, share drafts, money market shares, and share certificates each showed forward momentum in the first quarter of 1997.

- Share drafts increased 6.6 percent, from \$25.6 to \$27.3 billion.
- Money market accounts gained 5.8 percent, from \$24.5 to 25.9 billion.
- Share certificates increased 4.6 percent, from \$52.5 to \$54.9 billion.

Noting a few key ratio results in the first quarter of 1997, the capital ratio among large credit unions moved slightly lower, declining from 11.0 to 10.8 percent, while the net capital ratio slipped from 10.4 to 10.2 percent. The delinquency ratio remained at .8 percent, and the loan to share ratio declined from 74.2 to 71.9 percent.

HIGHLIGHTS

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FOM Update

NCUA filed its brief with the Supreme Court May 12. The brief addresses whether banks have standing to challenge how NCUA interprets the Federal Credit Union Act and whether NCUA reasonably interprets the common bond provision of the Act. The brief is available on NCUA's web site at <http://www.ncua.gov>. It's at the top of Field of Membership Lawsuit Documents listed in the major NEWS category.

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NCUA's latest Publications List is on pages 5 & 6. — Pay by credit card and FAX, e-mail, or phone in your order for fast, easy service. Page 7 has details.

News Briefs

- **CLF Yield** — CLF investments earned an annualized 5.65 percent or \$3.48 million in March. The 4 basis point increase over February's yield is due to a gain in the Fed's funds rate on overnight securities and a gain in Treasury bill rates on redeposit accounts. The CLF has 12 guaranteed line of credit agreements outstanding that total \$5.5 million.
- **CLF Stock** — CLF agent members completed their annual stock adjustments April 1, 1997. Agent capital stock now totals over \$705 million.
- **Conversion Activity Brisk** — The pace of conversion activity has surged since last year's U.S. Appeals Court decision concerning field of membership in federal credit unions. From July 30, 1996, to May 20, 1997, NCUA regional offices approved 15 conversions to community charters and had 138 applications pending. Regional offices also approved 40 conversions from federal to state charter and had 56 applications pending.

NCUA News

NCUA News is published by the National Credit Union Administration, the federal agency which supervises and insures credit unions.

Norman D'Amours, Chairman
Shirlee P. Bowné, Vice Chairman
Yolanda T. Wheat, Board Member

Information about NCUA and its services may be secured by writing to the Office of Public and Congressional Affairs, or by calling 703-518-6300. News of what is happening at NCUA is available by calling 800-755-1030 or 703-518-6339.

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- **Equity Level Up** — Equity in the National Credit Union Share Insurance Fund increased to 1.30 percent at April 30. The equity ratio is based on insured shares of \$276.5 billion as of December 31, 1996. The ratio remained at 1.30 percent at May 31.
- **Failures Are Low** — Through May, six credit unions have failed this year. Five were involuntary liquidations and one merged with assistance. The cost of these failures at June 1 is \$836,000. The reserve level in the NCUSIF remains a conservative \$90 million.
- **Deposit Adjustments & Operating Fees** — The Office of the Chief Financial Officer processed approximately \$185 million in capitalization deposit adjustments and operating fee payments through April 30, 1997.

New Releases

- *1996 Yearend Statistical Report*
- *NCUA Accounting Manual*
- *1997 Directory of Federally Insured Credit Unions*

June 12 Board Actions Scheduled for Consideration are:

- Final Part 703, Investment Rule;
- Community charter conversion request,
- Northwest Consumers FCU;
- Appeal an exclusionary clause; and
- Community charter conversion request, Kennedy Space Center FCU.

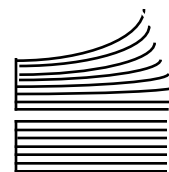
1996 NCUA Annual Report Released

NCUA's 1996 Annual Report will be mailed to all federally insured credit unions in June. The feature article, Credit Unions Serve America, highlights how credit unions provide loans and more to members who need and deserve reasonably-priced financial assistance from an understanding financial institution.

A new section summarizes the duties of individual offices at NCUA and provides their 1996 accomplishments and 1997 goals in a bulleted, easy to read format.

GC Opinion Letters

The NCUA Office of General Counsel responds to written requests for legal interpretations of the *Federal Credit Union Act* and *NCUA Rules and Regulations*.



Summaries follow of some of the latest letters issued that may have wide interest to the credit union community. These legal opinions can be secured by writing to the Office

of Public and Congressional Affairs.

Please provide the identifying number and title when making a request. The General Counsel opinion letters are also available electronically on the NCUA web site at <http://www.ncua.gov>.

No. 97-0427 Charitable Donations

— FCUs can make charitable donations only to tax exempt organizations located or operating in the community where the credit union has its principal place of business or to tax exempt organizations that primarily promote and develop credit unions. *May 15, 1997*

No. 97-0405 Maturity Limits on Closed-End Mortgage Loans — Twenty years is the maximum maturity limit for closed-end second mortgage loans. There is no maturity limit when providing a line of credit. *May 20, 1997*

continued on page 3

Correction: NCUA is happy to report that Grand Forks Herald Credit Union relocated April 1 and did not occupy the Grand Forks Herald Newspaper building, as reported last month, when it flooded and burned during the severe flooding later in April. The credit union was in the process of merging with Area Schools Credit Union and had moved to its merger partner's location in south Grand Forks.

MAY BOARD MEETING ACTIVITY

Equity Ratio Reaches 1.30 Percent

The National Credit Union Share Insurance Fund equity ratio increased to 1.30 percent in April and is expected to reach 1.32 percent by September 30 the Chief Financial Officer told the NCUA Board at its monthly meeting May 22.

The Fund has \$90.1 million in reserves. This is an adequate reserve level, based on the agency's continuous review of potential credit union losses.

Fund investments increased \$112 million during April, primarily due to receipt of the annual one percent deposit adjustments and cash received from the U.S. Treasury for interest earned on Fund investments. A slight increase in overnight rates caused investment income to yield approximately \$37,000 more in April than in March.

Charter Conversion Requests Approved

The NCUA approved two charter conversion requests allowing occupational based credit unions to convert to serve their communities. Both credit unions conducted several surveys and received letters expressing support for the conversions from community and civic leaders.

G-P Federal Credit Union, Palatka, Fla., is expanding to serve the people who live, work, worship, and attend school in, and businesses and other legal entities in the well-defined community of Putnam County, Fla. In approving this expansion, both Chairman Norman E. D'Amours and Board Member Yolanda Townsend Wheat commented that they were impressed with the collaborative relations between G-F Federal credit union and the area's two existing credit unions.

Indian River FCU, Vero Beach, Fla., is expanding to serve the people who live,

work, worship, and attend school in, and business and other legal entities located in the well-defined community of Indian River County, Fla.

Corporate FOM Expansion Approved

Indiana Corporate Federal Credit Union (IndiCorp) gained NCUA Board approval to expand to a regional field of membership that includes credit unions and their leagues, chapters, service corporations, and executive societies in Illinois, Iowa, Kentucky, Michigan, Ohio, and Wisconsin.

Southwest Corporate and Oklahoma Corporate Merge

The NCUA Board voted to approve the requested merger of Oklahoma Corporate Credit Union and Southwest Corporate Federal Credit Union.

Southwest Corporate will be the continuing credit union with \$3 billion in assets. Combining the corporates will provide cost savings through economies of scale and will enable Oklahoma credit unions to receive expanded services.

GC Opinion

continued from page 2

No. 97-0511 Sales and Hotel Occupancy Tax — NCUA encourages individual credit unions to seek local legal counsel when a conflict arises with state and local taxing authorities. Local counsel can consider if the federal tax exemption applies to the particular statute or ordinance in question. Courts have held that sales and excise taxes levied on federal instrumentalities may be imposed only when the legal incidence of the tax falls on the retailer rather than on the federal instrumentality purchasing goods. Using this analysis, several situations have arisen when immunity was not applicable. *May 22, 1997*

Expect New 5300 Forms and Software

Federally insured credit unions will complete a new *5300 Call Report* for the midyear 1997 reporting cycle that is designed to make reporting financial and statistical data easier, particularly for smaller institutions.

Credit unions and examiners have field tested the new report. It contains five core pages that all credit unions must complete and seven supplementary schedules. Credit unions that engage in an increasingly broader range of investment, share, and lending activities will complete the supplementary schedules as needed.

NCUA has developed new *DOS* and *Windows* software to present the redesigned call report. As credit unions become more familiar with the new call report, they will appreciate the benefits of the new format.

With the new software, information reported for certain balance sheet accounts automatically flows into supplementary schedules. For example, credit unions that offer regular share and share draft accounts report that information on the balance sheet, and it automatically flows into the supplementary savings schedule. If the credit union offers no other types of shares, it is not required to complete the supplementary savings schedule.

Likewise, if a credit union reports investments in corporate credit unions and deposits in a commercial bank, the information automatically flows to the supplementary investment schedule. If the credit union has no other investments and the reported investments have maturities under one year, the credit union is not required to provide any information on the supplementary investment schedule.

Mid-year 1997 Call Reports will be in the mail at the end of June and are due to examiners and state regulators by July 24.



Economic Self Help – the Credit Union Way

Pilot Program Finances Student Interns

College students are working in small and low-income credit unions this summer thanks to a pilot internship program developed by the Office of Community Development Credit Unions to benefit students, credit unions, and the future credit union community.

Introducing college students to credit unions provides business majors with a hands-on education of how financial cooperatives operate. Participating credit unions gain immediate assistance, and the credit union community is building a key resource, a management/employee pool of experienced people among future college graduates.

In addition, the program fosters mentoring between larger and smaller credit unions. Low-income designated credit unions partner with local colleges to select eligible students, primarily business majors. Students selected train at low-income designated credit unions and also work at least 2 days a week at a small, under \$2 million asset, credit union.

This year's pilot program, running from June to August, is funded by \$35,000 from the technical assistance portion of the Community Development Revolving Loan Program. The three participating low-income designated credit unions secured grants from the revolving loan program that allows the credit unions to pay a small stipend and some expenses for juniors and seniors from two Louisiana schools, Grambling University and Southern University.

Two Grambling students are working at \$22 million Shreveport FCU and partner institution, \$24,000 North Baton Rouge FCU. Southern University students are working with \$17 million Southern Teachers & Parents FCU and \$1.6 million TEA Federal Credit Union. Another student from Southern University is working at \$102 million ASI Fed-

eral Credit Union in New Orleans, La., and its partner, \$5.6 million Tulane-Loyola FCU.

This program focuses on training people to manage small credit unions that typically find it hard to attract well-educated and trained management. If the pilot proves successful, NCUA will integrate the program into the technical assistance application process.

Public Housing Authorities Secure HUD Grants to Sponsor Onsite Credit Unions

Four public housing authorities in Massachusetts, New Jersey, North Carolina, and Oklahoma are the first to receive Hope VI grants from the Department of Housing and Urban Development to help fund start-up credit unions. NCUA's Office of Community Development Credit Unions has been working with HUD's Office of Community Revitalization since 1994 to implement a pilot program (NCUA News 12/96).

Last October, NCUA and HUD announced the initiative to encourage the chartering of new credit unions to serve residents of public housing. HUD agreed to allow public housing authorities (PHAs) to use economic development grants to offset the costs.

The cities where PHAs received funding for a proposed credit union and to

implement other self-help initiatives are: Worcester, Mass., (\$1 million); Highpoint, N.C., (\$658,385); Long Branch, N.J., (\$500,000); and Tahlequah, Okla., (\$1 million).

The PHAs will use a portion of their grant to organize a credit union, and a portion to fund other programs geared toward helping residents to become self-sufficient. The programs include employment training and counseling, basic education courses, entrepreneurship and computer training, and homeownership counseling.

Meanwhile, PHAs in Chicago and West Palm Beach, Fl., have also expressed interest in organizing a credit union. To date, there are three FCUs that serve public housing complexes at onsite facilities. BHA Residents Community Development FCU in Binghamton, N.Y., which opened its doors in 1994, and Quindaro Homes FCU, chartered in 1952 in Kansas City, Kansas, are the only credit unions chartered specifically to serve these low-income residents.

The low-income branch that \$65 million Bay Gulf FCU in Tampa, Fla., opened in 1995 at the Tampa PHA to serve three adjacent public housing complexes, has become a prominent fixture in a community that did not have a financial institution.

Although several other federal credit unions have PHAs within their fields of membership, Bay Gulf FCU is the only one that opened an onsite branch to market specifically to that community.

Community Development Revolving Loan Program

The Community Development Revolving Loan Program reported the following activity at May 31, 1997.

Number of loans in process	7
Amount of loans in process	\$1,100,000
Number of loans outstanding	70
Outstanding Balance	\$6,362,335
CDRLP Technical Assistance Grants	
Number approved in May	7
Amount disbursed in May	\$6,256
Grants approved YTD	28
Amount disbursed YTD	\$56,657

NCUA PUBLICATIONS LIST

The publications listed below may be ordered via the attached order form or by calling the National Credit Union Administration, Office of Administration, 1775 Duke Street, Alexandria, VA 22314-3428. Telephone: (703) 518-6340. Base prices for each publication do not include all changes. Changes may be purchased at the prices indicated.

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Decal - Adhesive (7"x3")	1075 (11/86)		\$ 1.00/2	
Sign (7"x3") with stand	1076 (11/86)		\$ 1.00	
Annual Report of the National Credit Union Administration	8000 (1996)		\$ 3.50	
Federal Credit Union Bylaws	8001 (12/87)		\$ 2.00	
Federal Credit Union Standard Bylaw Amendments and Guidelines	8001A (10/91)		\$ 1.50	
The Federal Credit Union Act	8002 (11/96)		\$ 3.00	
Federal Credit Union Handbook	8055 (1996)		\$ 3.50	
Federal Credit Unions (Leaflet)	8005 (5/96)		\$ 7.50/100	
NCUA Rules & Regulations	8006 (4/96)		\$ 15.00	
Change 1	(9/96)		\$ 3.00	
Change 2	(11/96)		\$ 3.50	
Change 3	(1/97)		\$ 3.00	
Change 4	(5/97)		\$ 3.50	
Chartering and Field of Membership Manual	8007 (7/94)		\$ 3.50	
- Change 1	8007A (6/96)		\$ 3.00	
NCUA User's Guide (Financial Performance Report)	8008 (1996)		\$.50	
NCUA Examiner's Guide ¹	8018 (3/94)		\$ 75.00	
- Change 1	8018A (7/94)		\$ 2.00	
- Change 2	8018B (12/94)		\$ 3.00	
- Change 3	8018C (4/95)		\$ 1.50	
- Change 4	8018D (1/96)		\$ 4.00	
Accounting Manual for FCUs	8022 (1997)		\$ 35.00	
Your Insured Funds	8046 (6/94)		\$ 14.00/50	
Yearend Statistics for Federally Insured Credit Unions	8060 (12/96)		\$ 5.50	

TITLE	PUBLICATION NO. ISSUE DATE	QTY	PRICE	TOTAL
Midyear Statistics for Federally Insured Credit Unions	8060 (6/96)		\$ 5.50	
NCUA Credit Union Directory	8602 (6/97)		N/C	
A Guide to HMDA Reporting	9003 (3/96)		\$ 5.00 ²	
Supervisory Committee Guide for Federal Credit Unions	8023 (5/97)		\$ 12.00	
Suspicious Activity Report Form (2 diskettes per order)				
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*DOS Package & Documentation	9007 (7/96)		\$ 15.00	
Subscription to NCUA Publications ³	9002 (1/97 - 12/97)		\$125.00	
	9002 (7/97 - 12/97)		\$ 62.60	

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²\$2.50 per guide for purchases of 100 copies or more.

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GPRA Involves You

What is GPRA? It is not a new term NCUA is imposing on credit unions. In fact, it requires no action by credit unions but does make valuable information available to them.

Congress enacted the Government Performance and Results Act (GPRA) in 1993 to improve the dialogue between the public, the Congress, and all federal government agencies. GPRA also helps NCUA to remind the public and Congress of what we do.

Some specific tasks that GPRA requires NCUA to do are:

- Set program goals to achieve our mission.
- Implement measurable objectives to attain program goals.
- Report results to Congress and interested parties annually starting in 1999.
- Improve service delivery to our customers, both inside and outside the agency.
- Provide meaningful information to Congress to accomplish statutory objectives.
- Assure our customers they can rely on the capability of NCUA.

The NCUA Board supports GPRA's goal of improving communications between the public, the Congress, and fed-

eral agencies. Strategic planning is not new at NCUA. For guidance, the agency has set goals and objectives for many years. This program formalizes and reports NCUA's plan to Congress and the public.

A copy of NCUA's draft Strategic Plan is available on the Internet at NCUA's

web site, <http://www.ncua.gov>, listed under Special Reports in the Reference Information section. If unable to access the plan electronically, contact the Office of Public and Congressional Affairs at 703-518-6330 to obtain a copy. Interested parties are invited to comment on NCUA's draft plan by June 30, 1997, in writing or via e-mail at gpra@ncua.gov.

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